

Message Text

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PAGE 01 NEW DE 10750 230910Z

20

ACTION EB-07

INFO OCT-01 EA-09 NEA-10 ISO-00 L-03 OES-06 FEA-01 CIAE-00

INR-07 NSAE-00 STR-04 CIEP-02 OMB-01 ITC-01 TRSE-00

/052 W

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R 230741Z JUL 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7292

AMEMBASSY TOKYO

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 10750

E.O. 11652: N/A

TAGS: EINV BTIO IN

SUBJECT: REQUEST FOR INFORMATION ON TAXES ON ROYALTIES
EARNED BY FOREIGN FIRMS

REF: BOMBAY 1878

1. ACCORDING TO AN AMENDMENT TO THE FINANCE ACT OF 1976, LUMP SUM PAYMENTS RECEIVED BY FOREIGN COMPANIES, UNDER AGREEMENTS APPROVED BY THE GOI AFTER MARCH 31, 1976, FOR THE SUPPLY OF INDUSTRIAL KNOW-HOW (DESIGNS, DRAWINGS, DOCUMENTATION, ETC.) OUTSIDE OF INDIA ARE TAXABLE AT THE RATE OF 20 PERCENT OF THE GROSS AMOUNT OF SUCH PAYMENTS. OTHER ROYALTY INCOME (EXCLUDING LUMP SUM PAYMENTS) RECEIVED BY FOREIGN COMPANIES ARE SUBJECT TO INDIAN TAXES AT THE FLAT RATE OF 40 PERCENT OF THE GROSS AMOUNT. NO DEDUCTIONS FOR EXPENSES ARE ALLOWED.

2. PRIOR TO THE AMENDMENT, ROYALTIES RECEIVED BY FOREIGN COMPANIES UNDER AGREEMENTS APPROVED BY THE GOI, WERE TAXABLE AT THE RATE OF 52.5 PERCENT (INCLUSIVE OF SURCHARGE) ON A NET BASIS AFTER DEDUCTING ADMISSIBLE EXPENSES AGAINST SUCH INCOME.

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3. THE ABOVE INFORMATION HAS BEEN CONFIRMED BY APPROPRIATE

OFFICIALS OF THE CENTRAL BOARD OF DIRECT TAXES OF THE MINISTRY
OF FINANCE.

4. WE ARE AIRPOUCHING COPIES OF CIRCULAR NO. 151 OF NOEMBER
25, 1974 ISSUED BY THE GOI CENTRAL BOARD OF DIRECT TAXES WHICH
OUTLINES OFFICIAL POLICY WITH RESPECT TO TAXATION OF ROYALTIES,
TECHNICAL KNOW-HOW PAYMENTS, AND TECHNICAL SERVICE FEES TO NEA/INS
FOR JOHNSON AND TOKYO FOR PETERS.

5. NEA/INS: PLEASE ADVISE R L JOHNSON, JR., MANAGER (LICENSING),
HARVEY TECHNICAL CENTER, ATLANTIC RICHFIELD COMPANY, 515 SOUTH
FLOWER STREET, LOS ANGELES, CALIFORNIA (CABLE: ATRICCO: TELEX:
067-7415) OF NOEOTTBD PROVIDE COPY OF THE CENTRAL BOARD OF
DIRECT TAXES CIRCULAR TO HIM.

6. TOKYO: PLEASE ADVISE HOWARD PETERS, VICE PRESIDENT OF ARCO
FAR EAST LIMITED.SAXBE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Concepts: FOREIGN INVESTMENT, ROYALTIES, TAXES, BUSINESS FIRMS
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Copy: SINGLE
Draft Date: 23 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
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Margaret P. Grafeld
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04 MAY 2006

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TAGS: EINV, BTIO, IN
To: STATE
TOKYO
Type: TE
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